

PROPOSED RESOLUTION

RES. W-4981
DWA/RSK/BMD/AJT/ds4

AGENDA ID# 12950

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-4981
May 15, 2014

RESOLUTION

(RES. W-4981) DEL ORO WATER COMPANY PARADISE
PINES DISTRICT. ORDER AUTHORIZING A RATE BASE
OFFSET REVENUE INCREASE, PRODUCING AN
INCREASE IN GROSS ANNUAL REVENUES OF \$87,290
OR 4.47% OVER CURRENT APPROVED GROSS
REVENUES.

SUMMARY

By Advice Letter (AL) 368 filed on February 14, 2014, Del Oro Water Company (DOWC) seeks a rate base offset of \$508,697 for capital improvements made to its Paradise Pines District (PPD) water distribution system which would result in an increase in annual revenues of \$87,290, or 4.47%.

This resolution finds \$508,697 in DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base. The authorized revenue increase of \$87,290, or 4.47%, will not result in a rate of return greater than that last authorized for DOWC.

BACKGROUND

DOWC is a class B multi-district water company. DOWC's PPD is located in the city of Paradise Pines, in Butte County, and currently serves 4,701 customers, mostly residential, but includes some commercial customers.

DOWC requests authority under General Order 96-B (GO 96-B), Water Industry Rule 7.3.3 (8), and Section 454 of the Public Utilities Code to increase its rates by \$87,290, or 4.47%, for a rate base offset of \$508,697. Some of this money is associated with a 2013 Service Improvement Plan (SIP), consisting of the replacement of 2,400 lineal feet of pipe with C900 Class 200 poly vinyl chloride (PVC) transmission main on South Park Drive and the upgrade of three hydrants and 35 services, at a total cost of \$319,235. In addition, DOWC has executed a contract with Telstar Instruments and Luhdorff and

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Scalmanini Consulting Engineers in the amount of \$189,463 to upgrade existing Supervisory Control and Data Acquisition (SCADA) telemarketing radios that control all pumping tank operations.

DOWC's last General Rate Case (GRC) increase for the PPD was on January 12, 2012, adopted by Resolution (Res.) W-4896, which authorized an increase of \$222,853, or 13.54%, with a 10.80% return on rate base. DOWC's present rates for PPD became effective on September 21, 2012, per Res. W-4929, which adopted a rate base offset for capital improvements pertaining to pipeline replacement and installation of new water meters,

NOTICE AND PROTEST

On January 23, 2013, DOWC sent a mailing to all customers in the PPD regarding the proposed 2013 SIP, which was followed by an informal meeting which took place on February 13, 2013. DOWC notified The Division of Water and Audits (DWA) on February 28, 2013, and again on March 20, 2013, that they had not received any written comments from any customers regarding the proposed SIP.

On February 14, 2014, DOWC served AL 368 in accordance with GO 96-B including on adjacent utilities and persons on DOWC's PPD advice letter service list. Per GO 96-B, Water Industry Rule 3.1, DOWC notified its PPD customers of this rate base offset advice letter request by mail.

No protests to AL 368 were received.

DISCUSSION

DWA reviewed the reasonableness of the project expenditures based on the scope of work involved as well as DOWC's contractor selection process, and determined the expenditures to be reasonable. DWA reviewed the documentation associated with water main and meter replacement projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and with the rate base offset DOWC's PPD will not exceed its authorized rate of return; and (3) the capital improvement projects have been completed and are used and useful. Based on DWA Staff review of the project expenditures, Staff finds DOWC's \$508,697 expenditure for the capital improvements prudent for inclusion into PPD's rate base.

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DWA computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design in Res. W-4896.

DOWC agrees with the recommended rates contained in Appendix B.

COMPLIANCE

There are no outstanding Commission orders for DOWC's PPD. DOWC's PPD is in compliance with the Commission's and California Department of Public Health's water quality standards.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g) (3), the otherwise 30-day period for public review and comment is exempt.

FINDINGS

1. By Advice Letter 368 filed on February 14, 2014, DOWC seeks a rate base offset of \$508,697 for capital improvements associated with its 2013 SIP, which DOWC estimates would result in an increase in annual revenue of \$87,290, or 4.47%.
2. DOWC is a class B multi-district water company which includes PPD. DOWC's PPD is located in the city of Paradise Pines, in Butte County, and currently serves 4,701 customers.
3. The 2013 SIP consists of the replacement of 2,400 lineal feet of pipe with C900 Class 200 poly vinyl chloride (PVC) transmission main on South Park Drive, and the upgrade of three hydrants and 35 services, at a total cost of \$319,235. In addition, DOWC has executed a contract with Telstar Instruments and Luhdorff and Scalmanini Consulting Engineers in the amount of \$189,463 to upgrade existing Supervisory Control and Data Acquisition (SCADA) telemarketing radios that control all pumping tank operations.
4. DOWC's last GRC increase for PPD was on January 12, 2012, by Res. W-4896, which authorized an increase of \$222,853, or 13.54%, with a 10.80% return on rate base.
5. Advice Letter 368 was served in accordance with General Order 96-B on February 14, 2014. No protest letters were received.

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6. DWA reviewed the documentation associated with water main and meter replacement projects, including the invoices supporting the expenditures and confirmed that: (1) DOWC's capital improvements were warranted; (2) the cost recovery requested for the capital improvements meets the earnings test and DOWC does not exceed its authorized rate of return; and (3) the capital improvement projects have been completed and are used and useful.
7. Based on DWA Staff review of the project expenditures, DWA finds \$508,697 of DOWC's capital improvements prudent for inclusion into DOWC's PPD's rate base.
8. DWA computed an increase to the DOWC PPD authorized revenue requirement of \$87,290 for the \$508,697 rate base off-set amount, based on DOWC's last GRC authorized revenues, expenses, and rate of return. DOWC agrees with DWA's revenue requirement calculation.
9. DWA computed the recommended rates in Appendix B to this resolution based on the recommended revenue requirement and the adopted rate design in Res. W-4896. DOWC agrees with the recommended rates contained in Appendix B.
10. DWA's recommended Summary of Earnings (Appendix A) is reasonable and should be adopted. DOWC agrees with the Summary of Earnings contained in Appendix A.
11. The rates recommended by DWA (Appendix B) are reasonable and should be adopted. DOWC agrees with the rates contained in Appendix B to this resolution.

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THEREFORE IT IS ORDERED THAT:

1. The rate Schedule PP-1A, Annual General Metered Service, attached as Appendix B to this resolution is adopted.
2. Del Oro Water Company is authorized to file a **supplemental** Advice Letter, as Advice Letter No. 368-A, incorporating the adopted rate schedule and concurrently cancel its presently effectively Schedule PP-1A, Annual General Metered Service. The effective date of the revised schedule shall be five days after the date of filing.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 15, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

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APPENDIX A DOWC's Paradise Pines Summary Of Earnings

	Authorized W-4896	Authorized AL 326-A	2013 Recorded	Rate Base Offset	Earnings Test at Division Recommended Rates
Operating Revenues					
Metered	\$1,868,400	\$1,954,036	\$2,124,149		\$2,211,439
Unmetered					
Other Revenues					
Total Revenue	\$ 1,868,400	\$ 1,954,036	\$ 2,124,149		\$2,211,439
Operating Expenses					
610 Purchased Water	\$ 70,580	\$ 70,580	\$ 185,769		\$ 185,769
615 Purchased Power	\$ 299,382	\$ 299,382	\$ 323,970		\$ 323,970
618 Other Volume Related Expenses	\$ 1,183	\$ 1,183	\$ 2,096		\$ 2,096
630 Employee Labor	\$ 191,333	\$ 191,333	\$ 233,872		\$ 233,872
640 Materials	\$ 31,504	\$ 31,504	\$ 43,385		\$ 43,385
650 Contract Work	\$ 27,398	\$ 27,398	\$ 28,041		\$ 28,041
Water Testing	\$ -	\$ -	\$ 5,795		\$ 5,795
660 Transportation Expenses	\$ 45,523	\$ 45,523	\$ 58,372		\$ 58,372
664 Other Plant Maintenance	\$ 2,074	\$ 2,074	\$ 3,194		\$ 3,194
670 Office Salaries	\$ 298,884	\$ 298,884	\$ 313,729		\$ 313,729
671 Management Salaries	\$ 76,510	\$ 76,510	\$ 73,953		\$ 73,953
674 Employee Pensions and Benefits	\$ 122,226	\$ 122,226	\$ 129,912		\$ 129,912
676 Uncollectable Accounts	\$ 2,016	\$ 2,016	\$ (532)		\$ (532)
678 Office Services and Rentals	\$ 68,092	\$ 68,092	\$ 74,007		\$ 74,007
681 Office Supplies and Expenses	\$ 95,966	\$ 95,966	\$ 112,905		\$ 112,905
682 Professional Services	\$ 21,178	\$ 21,178	\$ 36,217		\$ 36,217
684 Insurance	\$ 43,528	\$ 43,528	\$ 41,824		\$ 41,824
688 Regulatory Commission Expense	\$ -	\$ -			\$ -
689 General Expense	\$ 5,000	\$ 5,000	\$ 21,011		\$ 21,011
Subtotal	\$ 1,402,377	\$ 1,402,377	\$ 1,687,517		\$ 1,687,517
403 Depreciation	\$ 135,669	\$ 149,267	\$ 146,608	\$ 13,735	\$ 160,343
408 Taxes Other Than Income	\$ 64,706	\$ 64,706	\$ 107,101		\$ 107,101
409 State Income Taxes	\$ 22,954	\$ 26,495			
410 Federal Income Taxes	\$ 75,565	\$ 91,188			
Total Deductions	\$ 1,701,271	\$ 1,734,033	\$ 1,941,226		\$ 1,954,961
Net Revenue	\$ 167,129	\$ 220,003	\$ 182,923		\$ 256,478
Rate Base					
Average Plant	\$ 6,292,778	\$ 6,796,405	\$ 6,843,975	\$ 508,697	\$ 7,352,672
Average Dep. Reserve	\$ 4,598,651	\$ 4,612,249	\$ 4,964,339	\$ 13,735	\$ 4,978,074
Net Plant	\$ 1,694,127	\$ 2,184,156	\$ 1,879,456	\$ 494,962	\$ 2,374,418
Less: Contributions	\$ 77,106	\$ 77,106	\$ 63,088		\$ 63,088
Advances	\$ 197,187	\$ 197,187	\$ 199,994		\$ 199,994
Plus: Working Cash	\$ 120,085	\$ 120,085	\$ 120,085		\$ 120,085
Mat'l & Supplies	\$ 7,157	\$ 7,157	\$ 7,157		\$ 7,157
Rate Base	\$ 1,547,076	\$ 2,037,105	\$ 2,688,780		\$ 3,063,412
Rate of Return	10.80%	10.80%	6.80%		8.37%

(END OF APPENDIX A)

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APPENDIX B

Sheet 1

Del Oro Water Company, Inc.

SCHEDULE NO. PP-1A

ANNUAL GENERAL METERED SERVICE PARADISE PINES DISTRICT

APPLICABILITY

Applicable to all metered water service furnished on an annual basis to the Paradise Pines District service area.

TERRITORY

All territory served by Del Oro Water Company, Inc. in the area known as Fir Haven Subdivision, Sierra Del Oro Subdivisions, Paradise Pines Subdivisions, located approximately 6 miles north of Paradise, Butte County.

RATES

Quantity Charge:

For all water, per 100 cu. ft.	\$2.742	(I)
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Per Meter Per Month

¹Monthly Service Charge:

For 5/ 8 x 3/4-inch meter	\$12.83	(I)
For 3/4-inch meter	\$19.24	
For 1-inch meter	\$32.06	
For 1 1/2-inch meter	\$64.14	
For 2-inch meter	\$102.62	
For 3-inch meter	\$192.42	
For 4-inch meter	\$320.70	
For 6-inch meter	\$641.40	(I)

Per Meter Per Month

²SRF Surcharge:

For 5/ 8 x 3/4-inch meter	\$3.26
For 3/4 inch-meter	\$4.89
For 1-inch meter	\$8.15
For 1 1/2-inch meter	\$16.30
For 2-inch meter	\$26.07
For 3-inch meter	\$48.89
For 4-inch meter	\$81.48
For 6-inch meter	\$162.96

(END OF APPENDIX B)

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-4981 on all parties in these filings or their attorneys as shown on the attached lists.

Dated May 5, 2014, at San Francisco, California.

/ s/ DANIEL SONG

Daniel Song

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

**DEL ORO WATER COMPANY
ADVICE LETTER NO. 368
SERVICE LIST**

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